

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 1999-330-C - ORDER NO. 1999-849
DECEMBER 3, 1999

IN RE: AT&T Communications of the Southern)	ORDER
States, Inc.,)	CONSOLIDATING
)	COMPLAINT MATTER
Complainant,)	WITH UNIVERSAL
)	SERVICE PROCEEDING
vs.)	
)	
BellSouth Telecommunications, Inc.,)	
)	
Respondent.)	
)	

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Complaint of AT&T Communications of the Southern States, Inc. (AT&T) wherein AT&T requests that this Commission institute a proceeding to reduce the intrastate access price charged by BellSouth Telecommunications, Inc. (BellSouth) in South Carolina. BellSouth has answered the Complaint and has also moved to dismiss it and consolidate the issues set forth in it with the universal service docket, Docket No. 97-239-C. AT&T has also filed a Response to BellSouth's document, and BellSouth has filed a Response to that Response. Because of the reasoning stated below, we deny BellSouth's Motion to Dismiss, but grant its Motion to Consolidate this matter with the universal service docket.

AT&T alleges in its Complaint that, despite this Commission's recent action in reducing switched access rate revenues in South Carolina by \$10,000,000, BellSouth's South Carolina access rate remains among the highest in the nine states served by BellSouth. AT&T further alleges that BellSouth charges nearly 6.1 cents per minute, but that its cost to provide the service is only six-tenths of a penny, and that BellSouth's rate in South Carolina stands in "stark contrast" to its intrastate access rates in other states. AT&T states a belief that BellSouth's access charge is inefficient and anticompetitive. Further, AT&T notes that, in its opinion, access reductions are in the public interest and will benefit South Carolina consumers, and that reducing BellSouth's access rate will not deprive BellSouth of reasonable earnings in South Carolina.

BellSouth's Answer and Motion to Dismiss and Consolidate brings up some interesting counterpoints, however. According to BellSouth, switched access charges and universal service are inexorably linked. BellSouth states a belief that further reductions in switched access charges should not be ordered outside the context of this Commission's universal service proceeding. BellSouth further asserts that the current level of switched access charges must be assessed in conjunction with other implicit subsidies, and analyzed as one piece of the universal service puzzle, as opposed to an element unto itself.

BellSouth's approach makes sense to us. Clearly, switched access charges are one of the implicit subsidies for local service. One of the major points with universal service is to replace implicit subsidies with explicit subsidies, one goal, however, being to have continuous support of local service. If we lower switched access charges without

consideration of other implicit subsidies and their relationship to support of local service, and prior to our implementation of a State universal service fund, we could be depriving South Carolina consumers of an important subsidy for local service with no replacement for these funds being immediately available. We are not unmindful of AT&T's Response to BellSouth's initial document. Although we realize that access charges may have developed outside of the universal service framework, we believe that these charges are now indeed linked with universal service principles.

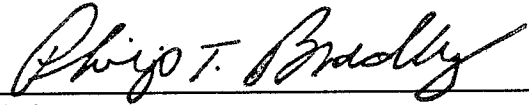
Clearly, we have made great strides towards the establishment of a State universal service fund. On September 3, 1997, we entered Order No. 97-753, adopting guidelines for the development of this fund. On May 6, 1998, we entered Order No. 98-322, adopting the BCPM 3.1 cost model (with certain input modifications) as the forward-looking model for non-rural incumbent local exchange carriers (ILEC's) for use in the universal service proceeding. The next step is for this Commission to implement and administer the fund itself. Due to various developments at the Federal level, we should begin addressing this step in the process in the first quarter of the year 2000.

Due to the fact that we will be moving toward implementation and administration of the actual fund very soon, we see no reason why we cannot combine AT&T's complaint with our universal service fund proceeding for hearing purposes. With this approach, this Commission believes that it may look at all the pieces of the puzzle together, that is, we can look at access charges in relation to other implicit subsidies, and look at those subsidies as a whole in relation to the State universal service fund. We therefore hold that this AT&T complaint matter shall be combined with the upcoming

universal service proceeding for hearing purposes. The Motion to Dismiss filed by BellSouth is hereby denied.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)